

Board that the petition and/or request should be granted based upon a balancing of the factors specified in 10 CFR 2.714(a)(1)(i)-(v) and 2.714(d).

For further details with respect to this action, see the applications for amendments dated October 25, 1995, which are available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC, and at the local public document room located at the Reference and Documents Department, Penfield Library, State University of New York, Oswego, New York 13126.

Dated at Rockville, Maryland, this 7th day of November 1995.

For the Nuclear Regulatory Commission.
Gordon E. Edison,
Senior Project Manager, Project Directorate I-1, Division of Reactor Projects—I/II, Office of Nuclear Reactor Regulation.
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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-36464; International Series Release No. 879; File No. SR-CBOE-95-54]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to Currency Warrants Based on the Value of the U.S. Dollar in Relation to the Brazilian Real

November 8, 1995

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on September 13, 1995, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to approve for listing and trading currency warrants based upon the value of the U.S. dollar in relation to the Brazilian Real. The text of the proposed rule change is available at the Office of the Secretary, CBOE and at the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CBOE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CBOE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The Exchange is permitted to list and trade currency warrants under CBOE Rule 31.5(E). The Exchange is now proposing to list and trade currency warrants based upon the value of the U.S. dollar in relation to the Brazilian Real ("Brazilian Real warrants"). The listing and trading of currency warrants relating to the Brazil Real will comply in all respects with CBOE Rule 31.5(E).

1. Currency Warrant Trading

Brazilian Real warrants will be unsecured obligations of their issuers and will be cash-settled in U.S. dollars. The warrants will be either exercisable throughout their life (*i.e.*, American style) or exercisable only on their expiration date (*i.e.*, European style). Upon exercise, the holder of a warrant structured as a "put" would receive payment in U.S. dollars to the extent that the value of the Brazilian Real has declined in relation to the U.S. dollar below a pre-stated base price. Conversely, holders of a warrant structured as a "call" would, upon exercise, receive payment in U.S. dollars to the extent that the value of the Brazilian Real in relation to the U.S. dollar has increased above the pre-stated base price. Warrants that are out-of-the-money at the time of expiration will expire worthless.

2. Warrant Listing Standards and Customer Safeguards

In SR-CBOE-90-08,¹ the Exchange established generic listing standards for currency warrants, which are contained in CBOE Rule 31.5(E). On August 29, 1995, the Commission approved SR-CBOE-94-34,² which amended Rule

31.5(E) and established customer protection and margin requirements for currency warrants.

CBOE Rule 31.5(E) sets forth the criteria applicable to listing currency warrants. Any issue of Brazilian Real warrants will conform to the listing criteria under Rule 31.5(E) which provide that: (1) The issuer shall have minimum tangible net worth in excess of \$150,000,000 and otherwise substantially exceed the size and earnings requirements in Rule 31.5(A); (2) the term of the warrants shall be for a period ranging from one to five years from date of issuance; and (3) the minimum public distribution of such issues shall be 1,000,000 warrants, together with a minimum of 400 public holders, and have a minimum aggregate market value of \$4,000,000. In addition, where an issuer has a minimum tangible net worth in excess of \$150,000,000 but less than \$250,000,000, the Exchange shall not list Brazilian Real warrants of the issuer if the value of such warrants plus the aggregate value, based upon the original issuing price, of all outstanding stock index, currency index and currency warrants of the issuer (and its affiliates) that are listed for trading on a national securities exchange or traded through the facilities of the National Association of Securities Dealers Automated Quotation System ("NASDAQ") exceeds 25% of the issuer's net worth.

Among the consequences of the recently approved rule amendments, Brazilian Real warrants may be sold only to customers whose accounts have been approved for options trading pursuant to Exchange Rule 9.7. Moreover, the suitability standards of Exchange Rule 9.9 apply to recommendations in currency warrants. Also, the standards of Rule 9.10(a), regarding discretionary orders, will be applicable to currency warrants.

3. Margin Requirements

Recently approved SR-CBOE-94-34 also establishes margin requirements for currency warrants. New Exchange Rule 30.53 requires minimum margin on any currency warrant carried "short" in a customer's account to be 100% of the current market value of each such warrant plus an "add-on" percentage of the produce of the units of underlying currency per warrant and the spot price for such currency. The Exchange has calculated frequency distributions reflecting percentage price returns for all one (1) and five (5) day periods for the Brazilian Real for the period of September 1, 1992 through August 30, 1995. These distributions demonstrate that more than 97.5% of all five (5) day

¹ See Securities Exchange Act Release No. 28556 (October 19, 1990), 55 FR 43233 (October 26, 1990).

² See Securities Exchange Act Release No. 36169 (August 29, 1995), 60 FR 46644 (September 7, 1995).

returns for the three (3) year period would have been covered by 10.0% of the underlying Real value. Based upon these results, the Exchange is proposing to set the margin "add-on" percentage for Brazilian Real warrants at 10% for both initial and maintenance margin, with a minimum add-on for out-of-the-money warrants of 2%. If as the result of the Exchange's routine monitoring of margin adequacy, the Exchange determines that a different percentage would be appropriate, CBOE will file a proposal with the Commission to modify the add-on percentages.

The Exchange believes that the listing and trading of Brazilian Real warrants is consistent with Section 6(b) of the Act in general, and with Section 6(b)(5) in particular, because it will help remove impediments to a free and open securities market and facilitate transactions in securities by providing investors with a low-cost means to participate in the performance of the Brazilian economy or to hedge against the risk of investing in that economy.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange believes the proposed rule change will impose no inappropriate burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve the proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the

submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-95-54 and should be submitted by December 7, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36466; File No. SR-NASD-95-45]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to an Amendment to Article II, Section 4 of the NASD By-Laws Relating to the Eligibility Provisions for Members and Associated Persons

November 8, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on October 31, 1995,¹ the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

³ 17 CFR 200.30-3(a)(12).

¹ The proposed rule change was originally submitted on October 3, 1995, but was subsequently amended on October 31, 1995. This notice incorporates the amendment of October 31, 1995. The amendment is available for inspection and copying in the Commission's Public Reference Room.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The NASD is proposing to amend Article II, Section 4 of the NASD By-Laws to conform these provisions to changes adopted by Congress. Below is the text of the proposed rule change. Proposed new language is italicized and deleted language is bracketed:

Article II, Section 4

Definition of Disqualification

Sec. 4. A person is subject to a "disqualification" with respect to membership, or association with a member, if such person:

[Commission and Self-Regulatory Organization Disciplinary Sanctions]

(a) has been and is expelled or suspended from membership or participation in, or barred or suspended from being associated with a member of, any self-regulatory organization, *foreign equivalent of a self-regulatory organization, foreign or international securities exchange, contract market designated pursuant to Section 5 of the Commodity Exchange Act, or a foreign equivalent of a contract market designated pursuant to* [or futures association, registered under Section 17 of such Act, or] *any substantially equivalent foreign statute or regulation, or futures association registered under Section 17 of the Commodity Exchange Act or a foreign equivalent of futures association designated pursuant to any substantially equivalent foreign statute or regulation, or has been and is denied trading privileges on any such contract market or foreign equivalent;*

[(b) is subject to an order of the Commission or other appropriate regulatory agency denying, suspending for a period not exceeding twelve months, or revoking his registration as a broker, dealer, municipal securities dealer (including a bank or department or division of a bank), or government securities broker or dealer or barring or suspending him from being associated with a broker, dealer, or municipal securities dealer (including a bank or department or division of a bank), or is subject to an order of the Commodity Futures Trading Commission denying, suspending, or revoking his registration under the Commodity Exchange Act;]

(b) is subject to—

(1) an order of the Commission, other appropriate regulatory agency, or foreign financial regulatory authority:

(i) denying, suspending for a period not exceeding 12 months, or revoking his registration as a broker, dealer, municipal securities dealer, government